

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 PM-07 L-03 NSC-07 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SP-03

AID-20 EB-11 PC-04 TRSE-00 DRC-01 /108 W

----- 121779

R 111500Z MAY 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 3254

INFO AMCONSUL RECIFE

AMCONSUL SAO PAULO

AMCONSUL RIO DE JANEIRO

C O N F I D E N T I A L SECTION 1 OF 2 BRASILIA 3389

E.O. 11652: GDS

TAGS: PINT ECON BR

SUBJ: ACCOUNTS REPORT SPARKS CONTROVERSY AMID SIGNS OF
FRICTION BETWEEN GEISEL AND MEDICI ADMINISTRATIONS

SUMMARY: THE INCLUSION OF CRITICISM OF ECONOMIC POLICY
IN THE REPORT OF THE NATIONAL ACCOUNTS TRIBUNAL (TRIBUNAL
DE CONTAS DE UNIAO, A KIND OF GAO) ON THE EXECUTIVE BRANCH
FOR 1973 TOUCHED OFF CONSIDERABLE PROTEST, PARTICULARLY
FROM ARENA CONGRESSMEN, AGAINST THE ALLEGED OVERSTEPPING
OF BOUNDS BY THE TCU, OR MORE SPECIFICALLY THE RAPPORTEUR,
FORMER CONGRESSMAN JOAO BAPTISTA RAMOS. IT MAY BE TRUE,
AS SOME HAVE ASSERTED, THAT THE REPORT IS A SYMPTOM OF
INSTITUTIONAL VITALITY AND SIGNALS ONE WAY FOR THE
CONGRESS TO STRENGTHEN ITSELF VIS-A-VIS THE PRESIDENCY.
IT NEVERTHELESS COMES AT A TIME OF SOME FRICTION IN
RELATIONS BETWEEN THE PRESENT AND FORMER ADMINISTRATIONS.
WHILE THIS FACT HAS INTENSIFIED REACTIONS, THE REPORT IS
MOST ACCURATELY SEEN AS AN ATTEMPT BY THE GEISEL
ADMINISTRATION TO DEFEND ITSELF IN THE FACE OF CURRENT AND
POTENTIAL ECONOMIC TROUBLES. END SUMMARY

1. THE BROAD RANGE AND CRITICAL NATURE OF THE REPORT REPRE-
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SENT DEPARTURES FROM PAST PRACTICE, AND ONE OF THE OTHER

JUSTICES OF THE TRIBUNAL FORESHADOWED ONE OF THE SUBSEQUENT PROTESTS WHEN HE GRUMBLED, AS THE REPORT WAS MADE, THAT THE CRITICISMS MIGHT BETTER HAVE BEEN MADE IN MORE TIMELY FASHION. ANOTHER JUSTICE REMARKED THAT RAMOS APPEARED TO HAVE LOST HIS CUSTOMARY CALM. IN FACT, THE CRITICISMS, CENTERING ON INFLATION, CREDIT POLICY, AND INCOME AND REGIONAL DISPARITIES, REPRESENT NO NEW CONTRIBUTION TO THINKING HERE, BUT RATHER ARE WELL-KNOWN AND OFT-DISCUSSED POINTS.

2. THE SIGNIFICANCE THUS LIES NOT IN THE SUBSTANCE OF THE CRITICISMS BUT IN THE FACT THAT THEY WERE MADE AS THEY WERE: BY A USUALLY NON-CONTENTIOUS BODY AND, MORE TO THE POINT, BY A FORMER ARENA MEMBER WHO WAS APPOINTED TO HIS PRESENT POSITION BY THE VERY PRESIDENT WHOSE POLICIES HE IS NOW, FOR THE FIRST TIME, CRITICIZING.

3. A SPECIAL SIGNIFICANCE WAS GIVEN, HOWEVER, IN A SHARPLY-WORDED, HARD-HITTING PIECE IN O ESTADO DE SAO PAULO BY BRASILIA BUREAU CHIEF CARLOS CHAGAS THE DAY AFTER THE REPORT WAS APPROVED. REVIEWING RAMOS' HISTORY OF EGREGIOUS ADAPTABILITY (PTB MILITANT, KUBITSCHKE CABINET MINISTER BEFORE SHIFTING TO ARENA AFTER 1964), AND CALLING HIM "DISCREET ACCORDING TO HIS FRIENDS, MEDIOCRE ACCORDING TO NEUTRALS, AND SUBSERVIENT ACCORDING TO HIS ADVERSARIES," CHAGAS ASSERTED THAT NEITHER INITIATIVE NOR IDEAS ARE PART OF RAMOS' BAGGAGE, AND CONCLUDED THAT HIS ACTION HAD ITS INSPIRATION FROM A "HOLY GHOST" RESIDING IN THE PRESIDENTIAL PALACE.

4. ADMINISTRATION-LINKED CONGRESSMEN, INCLUDING CHAMBER MAJORITY LEADER CELIO BORJA, HAVE CONFIRMED TO US THE ACCURACY OF CHAGAS' THEORY, SOME ADDING THAT FOR THE SAME REASON SUBSEQUENT ARENA PROTESTS AGAINST RAMOS' CRITICISMS, BILLED IN ADVANCE AS VIGOROUS, TURNED OUT INSTEAD TO BE BLAND AND RATHER NARROWLY FOCUSED, ASSERTING ESSENTIALLY THAT RAMOS EXCEEDED HIS AUTHORITY IN GOING BEYOND STRICTLY FINANCIAL, AUDITING ASPECTS; THE CONGRESSMEN'S CONTENTION IS THAT POLICY REVIEW IS THEIR EXCLUSIVE PROVINCE. (RAMOS SUBSEQUENTLY ISSUED A PUBLIC STATEMENT CLAIMING THAT THE

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TRIBUNAL'S LEGAL MANDATE UPHOLDS HIS RIGHT TO INCLUDE POLICY).

5. SOME COMMENT, WHILE NOT ARGUING WITH THE POSSIBLE IMPROPRIETIES OF THE REPORT AS DELIVERED, FOUND POSITIVE ELEMENTS. PRESTIGIOUS COLUMNIST CARLOS CASTELLO BRANCO CONCLUDED THAT "TIMELY OR LATE, FAIR OR UNFAIR, PRONOUNCED OPENLY OR IN CLOSED COURT, CRITICISMS OF THE GOVERNMENT WILL BE LESS SIGNIFICANT BY THE STATUS OF WHO

MAKES THEM THAN BY WHAT THEY REPRESENT, TO THE EXTENT THAT THEY ARE TOLERATED, AS A SYMPTOM OF INSTITUTIONAL VITALITY." A JORNAL DO BRASIL EDITORIAL POINTED OUT THAT MORE VIGOROUS EXERCISE BY THE CONGRESS OF ITS "FISCALIZATION" AUTHORITY WOULD FORTIFY ITS ROLE IN NATIONAL POLITICS.

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6. SO FAR, IN FACT, THE ONLY SPIRITED PROTEST AGAINST RAMOS' CRITICISMS HAS COME FROM SENATOR--AND MEDICI EDUCATION MINISTER--JARBAS PASSARINHO, WHOSE SENSE OF LOYALTY TO HIS FORMER BOSS IS EVIDENTLY STRONGER THAN HIS FEELING OF PARTY DISCIPLINE. PASSARINHO WAS SPURRED ON BY THE FACT THAT THE REPORT IS ONLY ANOTHER OF RECENT SIGNS OF FRICTION BETWEEN THE GEISEL AND MEDICI ADMINSTRATIONS: THESE INCLUDE PRIVATE ALLEGATIONS THAT MEDICI IS BEING SHABBILY TREATED AND HIS ECONOMIC POLICIES UNNECESSARILY AND UNFAIRLY CRITICIZED BY THE NEW TEAM, AND AN APPARENTLY ORGANIZED RUMOR MILL THAT GAINED WIDESPREAD CREDENCE FOR REPORTS THAT MEDICI MINISTERS ANDREAZZI AND DELFIM NETTO HAD BEEN ARRESTED. PASSARINHO POINTEDLY EXONERATED THE OPPOSITION IN HIS BITTER CONDEMNATION OF THOSE TRYING TO PIT THE PRESENT ADMINISTRATION AGAINST THE FORMER.

7. THE RAMOS REPORT PROBABLY ALSO ACHIEVED ADDITIONAL IMPACT BECAUSE IT CAME CONCURRENTLY WITH "BURITIGATE," A MINI-SCANDAL

INVOLVING THE TRANSFER BY A GOVERNMENT AGENCY OF HOUSING IN BRASILIA, ALLEGEDLY ON EXTREMELY ADVANTAGEOUS TERMS, TO FIGURES LINKED TO THE FEDERAL DISTRICT GOVERNMENT (BURITI PALACE) DURING THE FORMER ADMINISTRATION. OBSERVERS HAVE NOTED THAT THE SCANDAL WAS FIRST FLAGGED EARLY LAST YEAR, CONFIDENTIAL

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BUT ONLY NOW HAS RECEIVED OFFICIAL AND PUBLIC ATTENTION.

8. IN SUM, IT IS EASY TO SEE HOW, IN A SITUATION OF HEIGHTENED SENSITIVITIES, THE RAMOS REPORT IS BEING SEEN BY SOME AS AN ATTEMPT TO SMEAR THE MEDICI ADMINISTRATION. ON THE ALL-IMPORTANT AND SENSITIVE ISSUE OF INFLATION, HOWEVER, FINANCE MINISTER MARIO SIMONSEN HAS BEEN AT LEAST AS FRANK AS RAMOS IN POINTING OUT TO THE PUBLIC THAT THE REASON FOR THE SHARP INCREASE IN THE COST OF LIVING DURING THE FIRST QUARTER OF THIS YEAR WAS THE UNAVOIDABLE RELAXATION OF THE CONTROLS THAT HAD BEEN IMPOSED IN THE LATTER PART OF 1973 IN A VAIN ATTEMPT TO HOLD THE OFFICIAL INFLATION RATE TO ITS PRE-ESTABLISHED AND ARTIFICIALLY LOW GOAL. THERE IS GENERAL AGREEMENT AMONG POLITICIANS AND POLITICAL OBSERVERS HERE THAT SIMONSEN'S CANDID--AND TRUTHFUL--EXPLANATION IS NOT ONLY AN ACT OF LEGITIMATE SELF-DEFENSE ON THE CURRENT ADMINISTRATION'S PART, BUT WAS REALLY HIS ONLY ALTERNATIVE IN THE CIRCUMSTANCE. IT IS ALSO TRUE, AS CARLOS CHAGAS POINTED OUT IN HIS PIECE, THAT EACH ADMINISTRATION SINCE 1964 HAS BEGUN WITH PROMISES OF CHANGE THAT, BY IMPLICATION AT LEAST, CONSTITUTED CRITICISM OF ITS PREDECESSOR. CRIMMINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, ECONOMIC CONDITIONS, DISPUTES, PUBLIC ADMINISTRATION, ECONOMIC PROGRAMS, NATIONAL ACCOUNTS, INTERNATIONAL TRIBUNALS, EXECUTIVE BRANCH
Control Number: n/a
Copy: SINGLE
Draft Date: 11 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRASIL03389
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740116-0249
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740555/aaaabwvz.tel
Line Count: 202
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by cunninfx>; APPROVED <11 FEB 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ACCOUNTS REPORT SPARKS CONTROVERSY AMID SIGNS OF FRICTION BETWEEN GEISEL AND MEDICI ADMINISTRATIONS
TAGS: PINT, ECON, BR, (GEISEL), (MEDICI)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005